



## **Office of the City Auditor**

### **Bus Card Program Report No. 0518**

April 28, 2005

Appropriate controls have been implemented to monitor issuance of Bus Cards and the subsequent payment for trips taken. Goals for increased ridership and development of performance measures will assist management in evaluating the effectiveness of subsidies as a means of reducing the number of employees commuting to work in single occupancy vehicles.

#### **CITY COUNCIL**

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Mary Manross

Council  
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April 28, 2005

To the Most Honorable Mary Manross, Mayor  
and Members of the Scottsdale City Council

Transmitted herewith is a report on the Bus Card Program, Report No. 0518. Staff in Transportation were very cooperative during our audit and we would like to thank them for their assistance.

If you need additional information or have any questions, please contact me at 480-312-7756.

Respectfully submitted,

A handwritten signature in cursive script that reads "Cheryl Lee Barcala".

Cheryl Barcala, CPA, CIA, CFE, CGFM, CISA, CISSP  
City Auditor

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## **EXECUTIVE SUMMARY**

To comply with clean air mandates, the City provides opportunities for employees to use alternative arrangements that will reduce the need to commute to/from work as a single occupant of a vehicle. One of the incentives offered as part of the effort is the subsidy of bus fares to/from work. An audit of this benefit was included on the Audit Plan for 2005 to evaluate the structure of the program and ensure that appropriate controls are in place.

We found that the Transportation Department, the area responsible for program oversight, has implemented an adequate control environment for the issuance of Bus Cards and the subsequent payment of expenses incurred through the use of these cards. Procedures ensure that the distribution of cards is monitored and that a card is deactivated upon an employee's termination of employment.

While the control environment is adequate, Transportation Department management has neither implemented controls that restrict the use of a Bus Card for travel to/from work nor requested formal City Council approval that would allow unrestricted use of Bus Cards.

This report also includes a recommendation for the development of program goals and performance measures and a concerted effort to promote use of the bus system by City employees as an alternative mode of transportation to/from work. Currently, about 35 employees ride the bus at least once a month. In 2002, about 31 employees rode the bus at least once a month; consequently, there has been no significant increase in use over the last two years. We found no indication of performance goals, a promotional program to encourage participation, or other outreach efforts that would increase the use of the bus as a means of commuting to/from work.

The Action Plan with management's proposed plan of action is on the following page.

## ACTION PLAN

No.	Recommendations and Management Response
	The Transportation General Manager should:
1	Either restrict usage to commuting to/from work or submit, for Council approval, a modification to City ordinance to set out the provision of a monthly Bus Card as an employee benefit for personal use.
	<p><b>Management Response:</b> Because of the emphasis the Transportation Department places upon encouraging City employees to become familiar with and to model reliance on bus transportation as an intelligent transportation choice, we agree that the City Human Resources Ordinance should be modified to specifically list the Bus Card Program as a City employee benefit. We will work with Human Resources on the timing of that change.</p> <p><b>Responsible Party:</b> Transportation General Manager      <b>Completed By:</b> 7/1/06</p>
2	Develop and document program policies, parameters, goals, and performance measures.
	<p><b>Management Response:</b> We agree, and will implement the recommendation.</p> <p><b>Responsible Party:</b> Transit Manager      <b>Completed By:</b> 7/1/05</p>
3	In conjunction with the development of program policies and performance measures, consider actively marketing the program to employees.
	<p><b>Management Response:</b> We concur, and appreciate the City Auditor's suggestions. An employee has recently been assigned to perform Trip Reduction compliance duties, and will begin employee marketing efforts including New Employee Orientation presentations.</p> <p><b>Responsible Party:</b> Transit Manager      <b>Completed By:</b> 7/1/05</p>

## **BACKGROUND**

In 1998, the Arizona Legislature passed the Air Quality Bill (ARS, §49-581, *et al.*) mandating a Trip Reduction Program (TRP) for employers and schools with over 100 employees and/or driving-age students.<sup>1</sup> The purpose of the legislation was to reduce the amount of pollution caused by single occupant vehicles (SOV) commuting to/from work.

Employers shall implement all travel reduction measures they consider necessary to attain the following reduction in the proportion of employees commuting by single occupancy vehicles or commuter trip vehicle miles travel reductions...

ARS, §49-588 (E)

The travel reduction goal is to reduce SOV travel by 10 percent a year for five years and then 5 percent a year until a 60 percent rate of SOV travel is reached. Travel reduction measures include: subsidizing bus fares; providing a commuter matching service to facilitate ridesharing; allowing telecommuting and alternative work schedules; providing the use of company vehicles for van and carpooling; and equipping facilities with bike lockers and showers.

Violations of the legislation can result in civil penalties. However:

Failure by a major employer to meet travel reduction goals as prescribed in section 49-588 does not constitute a violation if the major employer is attempting in good faith to meet the goals.

ARS, §49-593

### **Trip Reduction Plan at the City**

In compliance with statutory mandates, the City has a trip reduction plan. Employees are encouraged to reduce the number of SOVs through the use of telecommuting and alternative work schedules, providing designated parking spaces for employees participating in rideshare arrangements, facilities equipped with bike lockers and showers, and provision of Bus Cards allowing an employee to ride the bus to/from work with the cost paid by the City.

During 2001 and 2002, subsidized bus fares cost the City slightly more than \$500 a month. For 2004, the cost has grown to approximately \$600 per month as a result of an increase in the number of one-way trips. On average, 30-35 employees will utilize the bus at least once a month. The chart on the following page provides additional information regarding program cost and use from 2002 through 2004.

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<sup>1</sup> Subsequent ordinance reduced the number of employees/students from 100 to 50.

### Program Cost and Use

	2002	2003	2004
Total expenditure per year	\$6,345	\$6,223	\$7,150
Average monthly expenditure	\$529	\$519	\$596
Lowest monthly expenditure	\$462	\$404	\$464
Highest monthly expenditure	\$656	\$622	\$651
Average monthly ridership <sup>2</sup>	31	30	35
Lowest monthly ridership	23	24	32
Highest monthly ridership	37	39	45
Total one-way trips per year	5,295	5,258	6,550
Average one-way trips per month <sup>3</sup>	441	438	546

**SOURCE:** Audit analysis of invoices for bus fares.

Bus fare subsidies are not tracked separately from other costs related to transit or recorded as a City employee benefit. Cost center 04210, Transit, captures the cost of planning and coordinating the City's transit service infrastructure as well as cost of compliance with mandated trip reduction efforts.

### Providing This Incentive

The Maricopa County Regional Public Transportation Authority (RPTA) offers a Bus Card Plus (Bus Card) that allows the rider to swipe a card through a card reader. Software captures the trips and transfers made to collect the fare. Monthly fare is capped at \$34, the equivalent cost of a monthly Bus Card.

Employers obtain Bus Cards that are encoded with an account number, individual card number, and fare category. The cards are then issued to employees and each month the employer will receive a bill for usage. The invoice lists each card used, information on usage, and the total fare charged. If the monthly usage exceeds \$34, the amount billed will be limited to this cap.

### Taxable Considerations

Under federal law, an employer can provide certain transportation benefits as a non-taxable employee benefit. Qualified benefits include provision of a transit pass, rides on a commuter highway vehicle to/from work, and qualified parking. The maximum monthly benefit allowed, tax-free, is \$105 for transportation and \$200 for qualified parking. For the benefit to be non-taxable, any cash reimbursement must be under a bona fide arrangement or through a non-cash option such as voucher program or pass.

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<sup>2</sup> All individuals who boarded the bus at least once in the month are considered a rider for that month.

<sup>3</sup> This does not include transfers.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of this audit were to:

- Determine if controls are sufficient to provide adequate protection of public funds.
- Determine if practices conform to set policies and procedures and any governing requirements.
- Determine the extent to which the program has achieved stated goals and objectives.

The scope of the work was limited to expenditures from 2002 through 2004 with the review of internal control restricted to practices necessary to monitor the issuance of Bus Cards, review and approve the payment of invoices, and the deactivation of cards at termination of employment. Participation records dating back to 2000 were reviewed to gain a historic perspective of program use.

To complete the work, we reviewed Arizona Revised Statute, Title 49, Article 8, to gain an understanding of requirements related to clean air mandates. We also reviewed the Scottsdale Revised Code (City Code) and the City's administration regulations to determine whether additional requirements applied. The Transportation General Manager, Transportation Department Advisor, Transportation Planning and Transit Director, Transit Manager, and Transportation Representative were all consulted to gain an understanding of current practices and program structure.

Tests were conducted to verify that controls were functioning as described. We obtained a list of issued cards and traced the employees to current payroll records. We also tested the payment of invoices to ensure that only cards issued to City employees were paid. Finally, we tested the process used to deactivate cards to verify that procedures were sufficient to provide notice of termination in a timely manner so that the card could be cancelled.

Audit work was conducted in accordance with generally accepted government audit standards as they relate to expanded scope auditing in a local government environment and as required by Article III, Scottsdale Revised Code, Section 2-117, *et seq.* This project was assigned to Eric Spivak and testing was completed in April 2005.



**Objective 1:** Determine if controls are sufficient to provide adequate protection of public funds.

**Finding: Appropriate control activities have been implemented.**

**Criteria:** Procedures should be in place to monitor issuance of Bus Cards, deactivate cards issued to employees at termination of employment, and reconcile the monthly invoice to the list of authorized users.

**Condition:** Appropriate controls have been implemented to minimize the risk of unauthorized Bus Card use. Enrollment forms and a database are used to track program enrollees, the issuance of individual cards, and card deactivation. Monthly invoices list each card used and this is reconciled to enrollment records prior to authorization of payment. Bus Cards purchased by the City and not yet issued to employees are kept in a secure location and are accounted for.

**Effect:** The City has reasonable assurance that only fares associated with approved Bus Cards will be paid.

**Cause:** Management action.

**Recommendation:** None.

**Finding: Use of the City-provided Bus Card is not restricted to commuting purposes.**

**Criteria:** Bus fare is subsidized as part of complying with mandated efforts to reduce SOV commutes to/from work. Bus Cards, as an employee benefit for personal use at other times, has not been approved; therefore, use should be restricted to commuting or other work related use.

**Condition:** Use of City-provided Bus Cards is not restricted to commuting and other work-related travel. No monitoring is done to determine whether an employee actually uses the card to commute and employees do not sign an agreement stating that its use will be for work purposes only.

**Effect:** Since the City covers the cost of any fares charged to Bus Cards issued to City employees, any personal use would be paid with public funds. Though the expense associated with any user cannot exceed \$34 per month (the cost of a monthly Bus Card), use of the Bus Card for personal travel could be considered an employee perk.

**Recommendation:** Either restrict usage to commuting to/from work or submit, for Council approval, a modification to City ordinance to set out the provision of a monthly Bus Card as an employee benefit for personal use.

**Objective 2:** Determine if practices conform to set policies and procedures and any governing requirements.

**Finding: Program policies, parameters, goals, and performance measures need to be developed.**

**Criteria:** Written, approved policies and parameters for use set the boundaries in which a City employee can operate without the need for management intervention. Goals and performance measures provide management with a means of evaluating whether the current structure is sufficient or whether modifications are necessary to improve results.

**Condition:** The City subsidizes bus fares as a means of complying with statutory mandates. Policies, parameters, goals, and performance measures specific to this subsidy have not been developed and documented. For example, as discussed under Objective One, use is not limited. As well, there is nothing that sets out whether or not City volunteers or contract employees are eligible.

Likewise, specific performance goals and measures have not been developed. While it is understood that the ultimate goal is to reduce SOV as a means of complying with clean air mandates, annual ridership goals are not set out as a means of evaluating whether or not more effort is needed to encourage usage. Moreover, employees participating in the program are not asked to submit monthly or quarterly information about the number of SOV trips avoided as a means of determining if the program reduces commuter trips or facilitates leaving a car at home for personal errands.

**Effect:** Without goals and measures, there is no indication as to whether program implementation has been successful.

**Recommendation:** Program policies, parameters, goals, and performance measures should be developed and documented.

**Objective 3:** Determine the extent to which the program has achieved stated goals and objectives.

**Finding:** The potential for SOV trips to be reduced by the provision of subsidized bus fares is limited without an active, effective marketing program.

**Criteria:** The goal of requiring trip reduction plans was to achieve a point in which 60 percent or fewer employees commuted to/from work as a single occupant in a vehicle. While violations can result in civil penalties, employers that make a good faith effort to comply are not considered to be in violation even if the goal is not reached. As a result, management should be able to demonstrate that a good faith effort is made to encourage use of the bus as an alternative means of transportation.

**Condition:** No measurable effort is made to educate employees about the provision of subsidized bus fare. Program information is not supplied during new employee orientation; the employee benefits section of the City Intranet website does not contain information regarding the program; nor is the program listed anywhere else on the Intranet site. There is no structured practice of having the program periodically mentioned in *CityLine* or through other channels of communication.

**Effect:** The potential for an effective program is limited without an active, effective marketing program designed to educate employees about the availability of subsidies. A review of participation records revealed that only 21 employees have signed up for the program since April 1, 2004. The majority of program participants are employees who have continued to participate during the past several years. Of the 148 employees who have enrolled in the current program cycle, which began in April 2004, all but the aforementioned 21 had been enrolled during the 2002-2004 cycle.

**Cause:** Program staff that administer the program do so in addition to other duties and responsibilities and do not have responsibilities related to marketing the program.

**Recommendation:** In conjunction with the development of program policies and performance measures, consideration should be given to actively marketing the program to employees.

## **APPENDIX A**

### **MANAGEMENT RESPONSE**

April 28, 2005

To: Cheryl Barcala, City Auditor

From: Mary O'Connor, Transportation General Manager

RE: Response to Bus Card Program Audit No. 0518

I would like to thank the City Auditor staff for his professionalism in conducting the audit and presenting the findings. The results of the audit will guide us as we enhance the employee Bus Card Program to encourage more employees to ride the bus.

The attached action plan is submitted in response to your findings. Thank you for the opportunity to respond to this audit and I look forward to discussing any issues you may have concerning the response.